

South Carolina Economy, Budget, & Revenue Update

PRESENTED TO
South Carolina City and County Management Association

June 17, 2022



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Economy

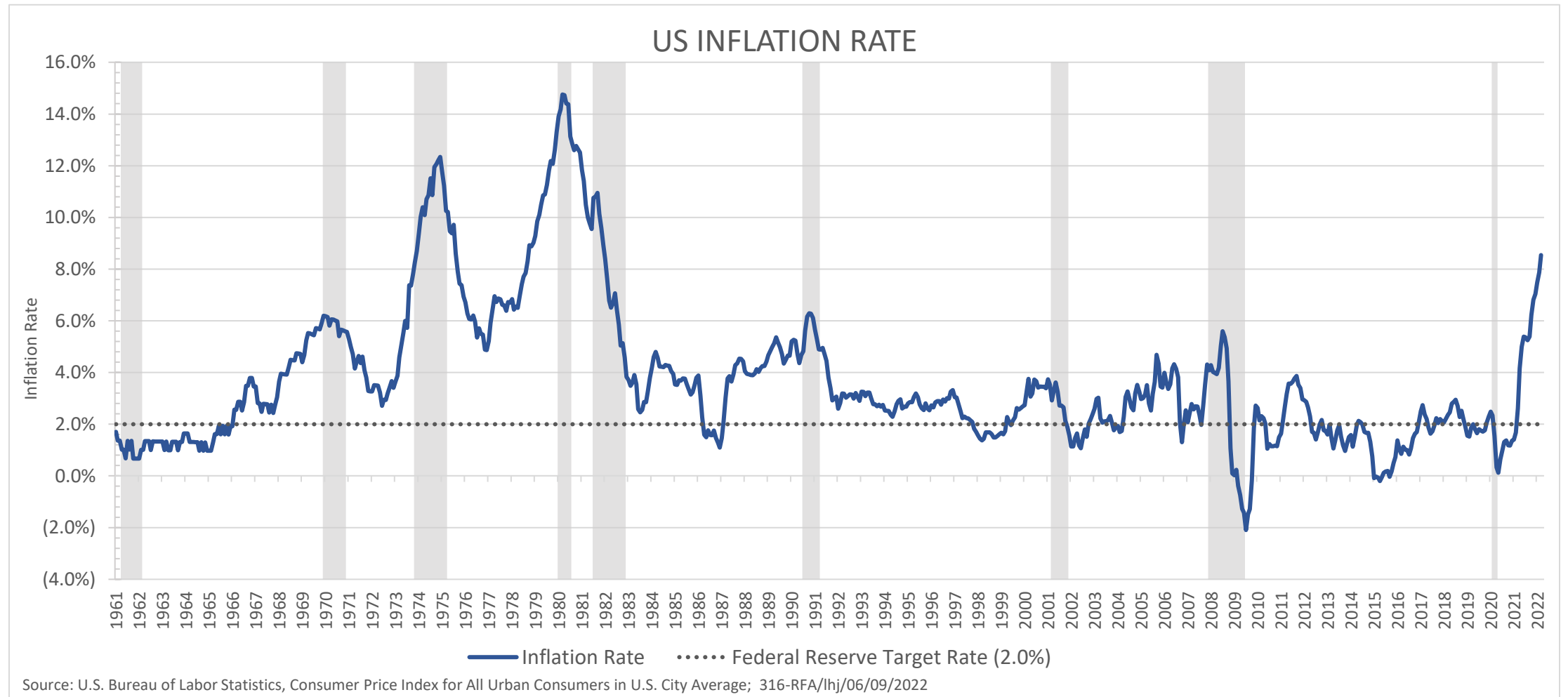
*“I see the bad moon a-risin’
I see trouble on the way
I see earthquakes and lightin’
I see bad times today ...”*

- Creedence Clearwater Revival, “Bad Moon Rising”



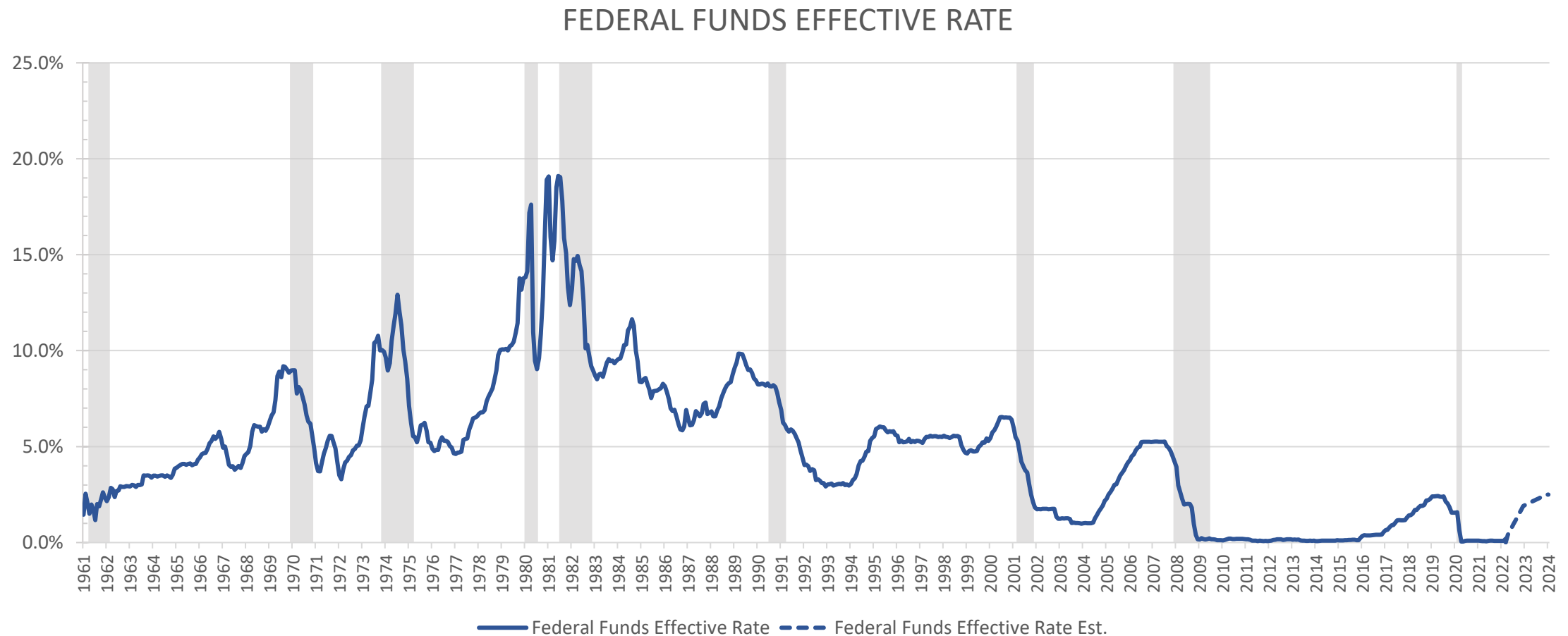
Inflation Rates

Inflation reached 8.5 percent in March 2022, the highest rate since 1981



Interest Rates

The Federal Reserve is expected to raise interest rates six times in 2022 to curb inflation; economic analysts are predicting more modest rate hikes in 2023

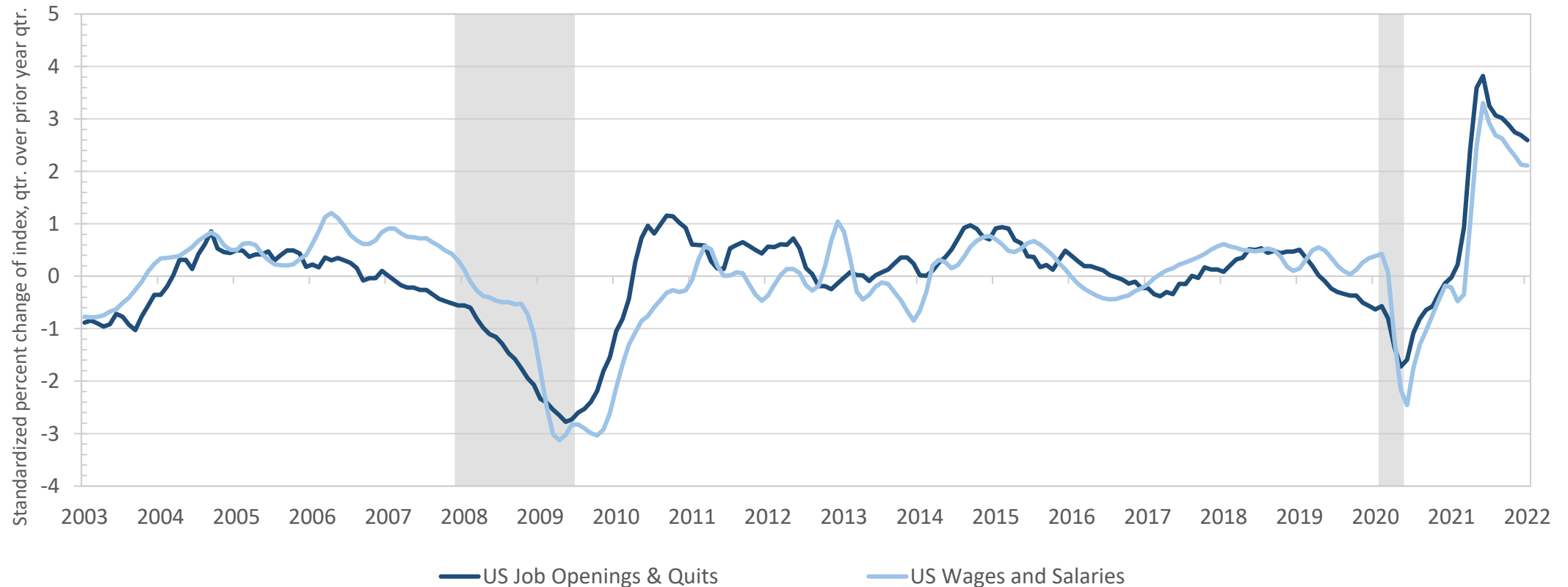


Source: Board of Governors of the Federal Reserve System, Federal Funds Effective Rate; Federal Open Market Committee, March 16, 2022: FOMC Projections materials; Trading Economics, United States Fed Funds Rate Forecast for 2023, nmng/4/13/2022

Wage Growth and the Labor Market

Wage growth remains elevated; return to normal levels may be more gradual than expected as the labor shortage continues

US JOB OPENINGS & QUILTS VS. WAGE GROWTH

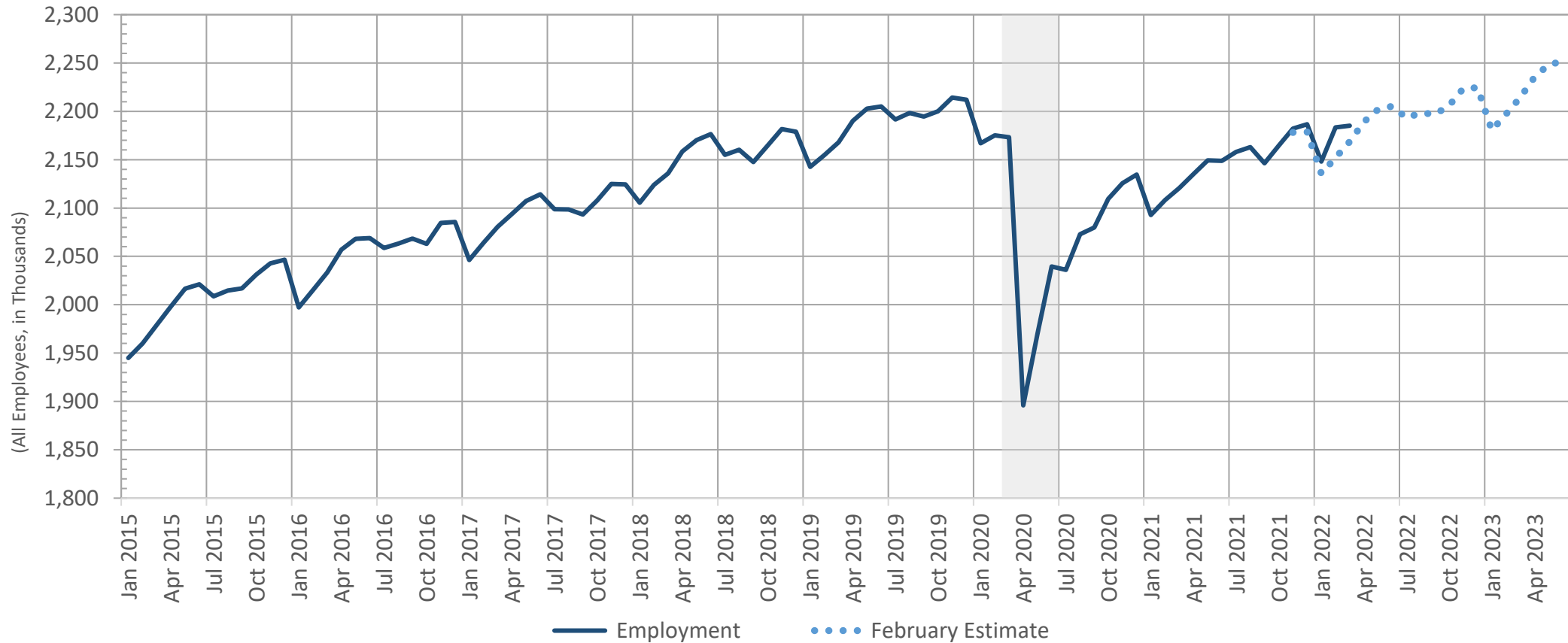


Source: U.S. Bureau of Economic Analysis, Compensation of Employees, Received; U.S. Bureau of Labor Statistics, JOLTS; 309A - RFA/bdc/3/28/2022

SC Employment

Job growth slowed in March after a strong February, although employment remained above pre-pandemic levels

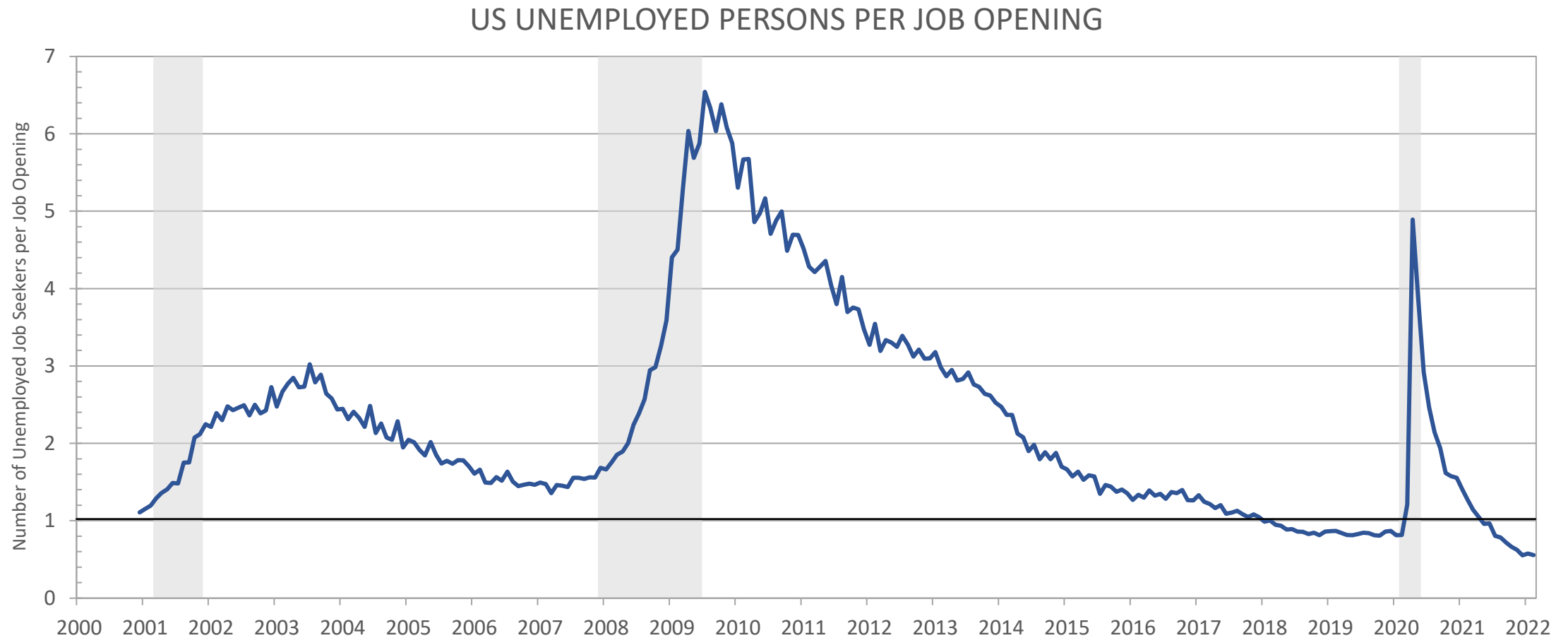
TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA



Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/bdc/4/20/2022

US Unemployed Persons per Job Opening

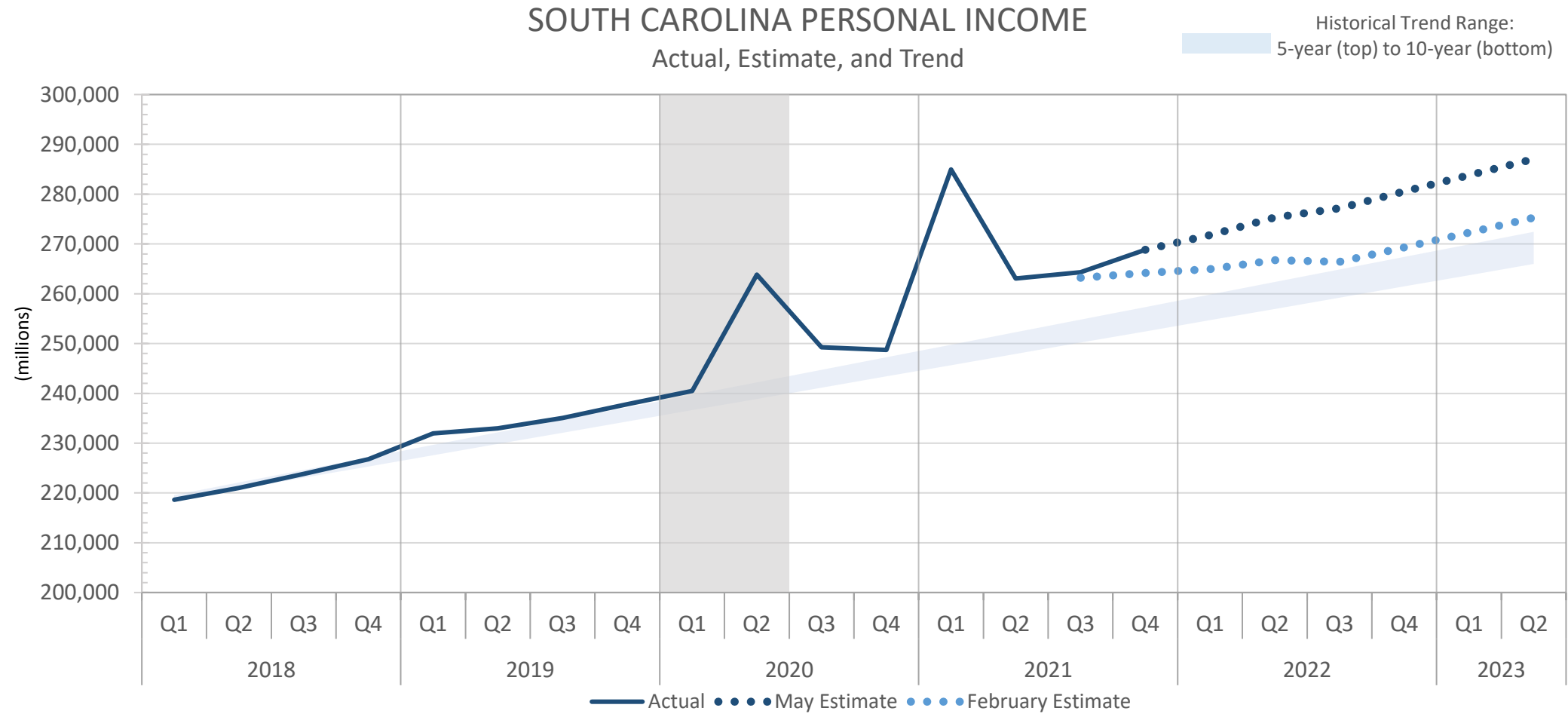
There are currently more job openings than unemployed persons; the tight labor market continues to drive up wages



Source: U.S. Bureau of Labor Statistics, CPS and JOLTS; 259A - RFA/bdc/4/7/2022

SC Personal Income

Persistent wage growth will keep personal income above trend through the forecast period



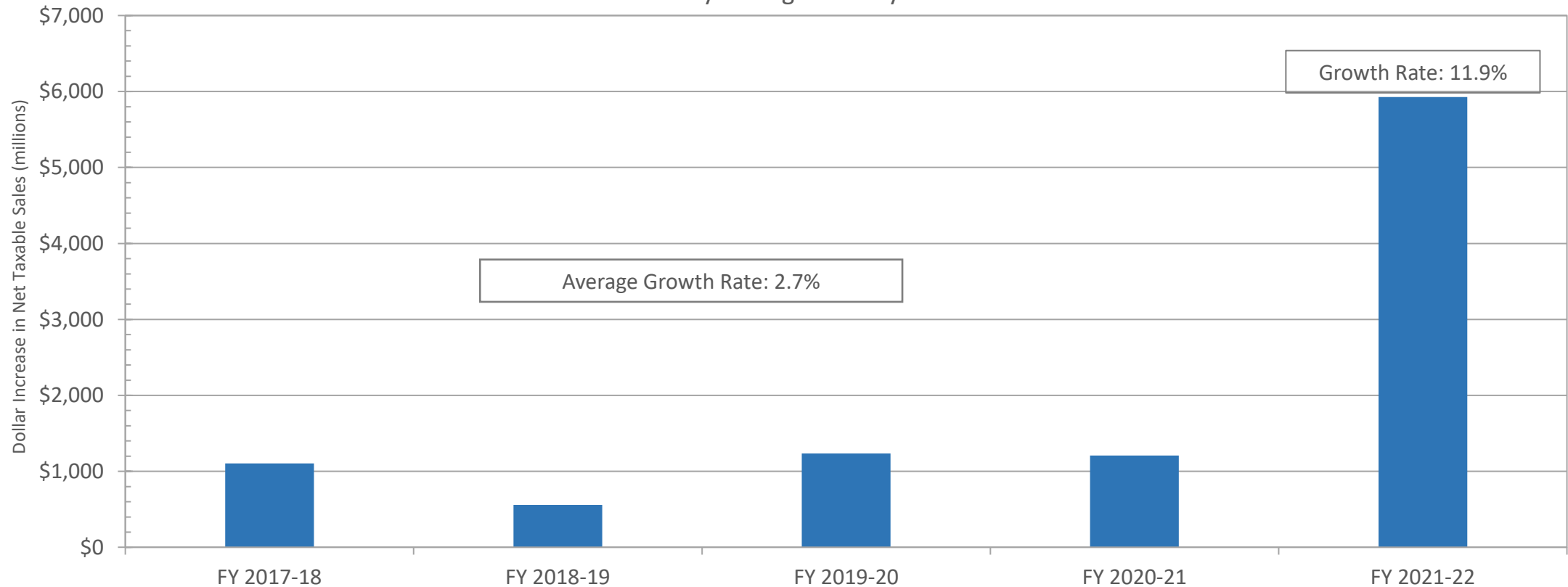
Data Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors

SC Consumer Spending

Net taxable sales in the first half of FY 22 have grown nearly four times the average rate

CHANGE IN NET TAXABLE SALES BY FISCAL YEAR

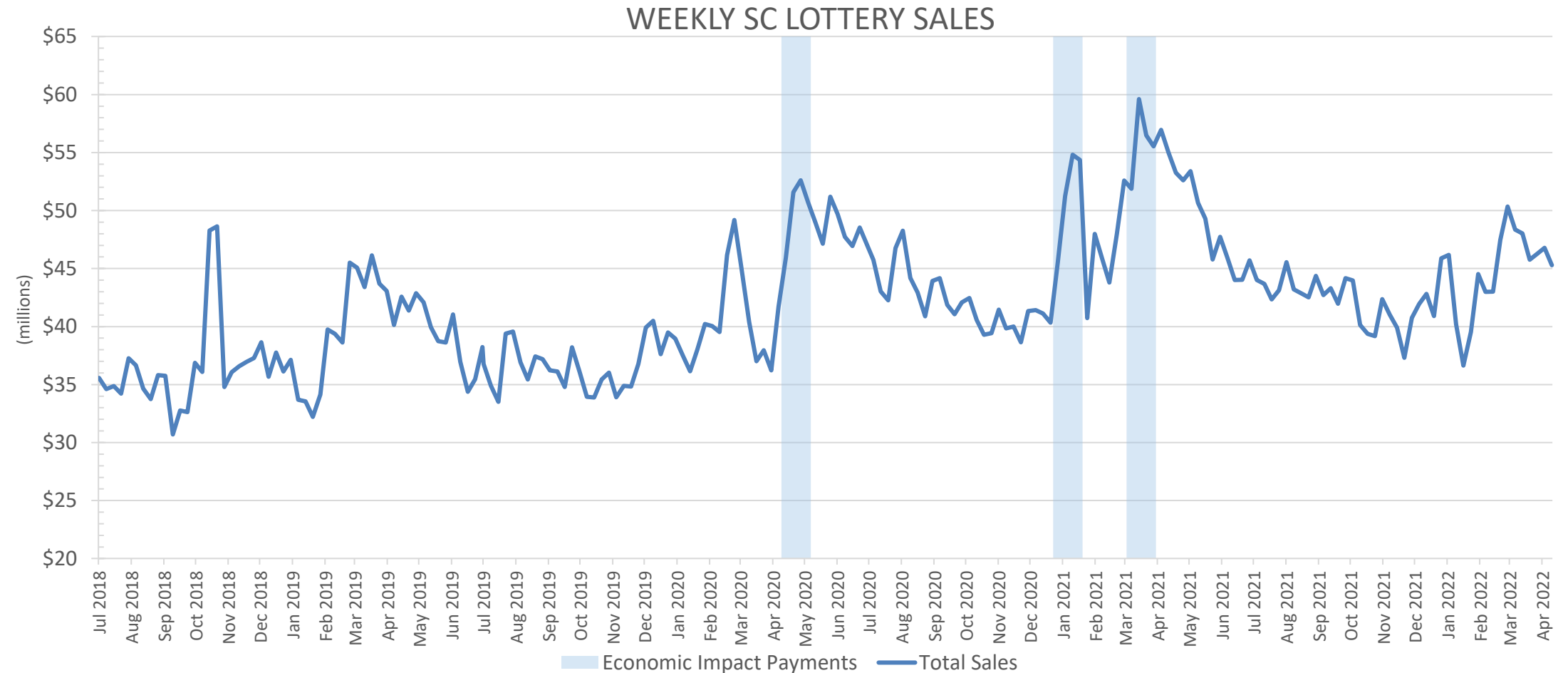
July through January



Source: South Carolina Department of Revenue, nmg/3/30/2022

Lottery Sales

Lottery sales peaked with first, second, and third rounds of stimulus



Source: South Carolina Education Lottery Commission

Revenues

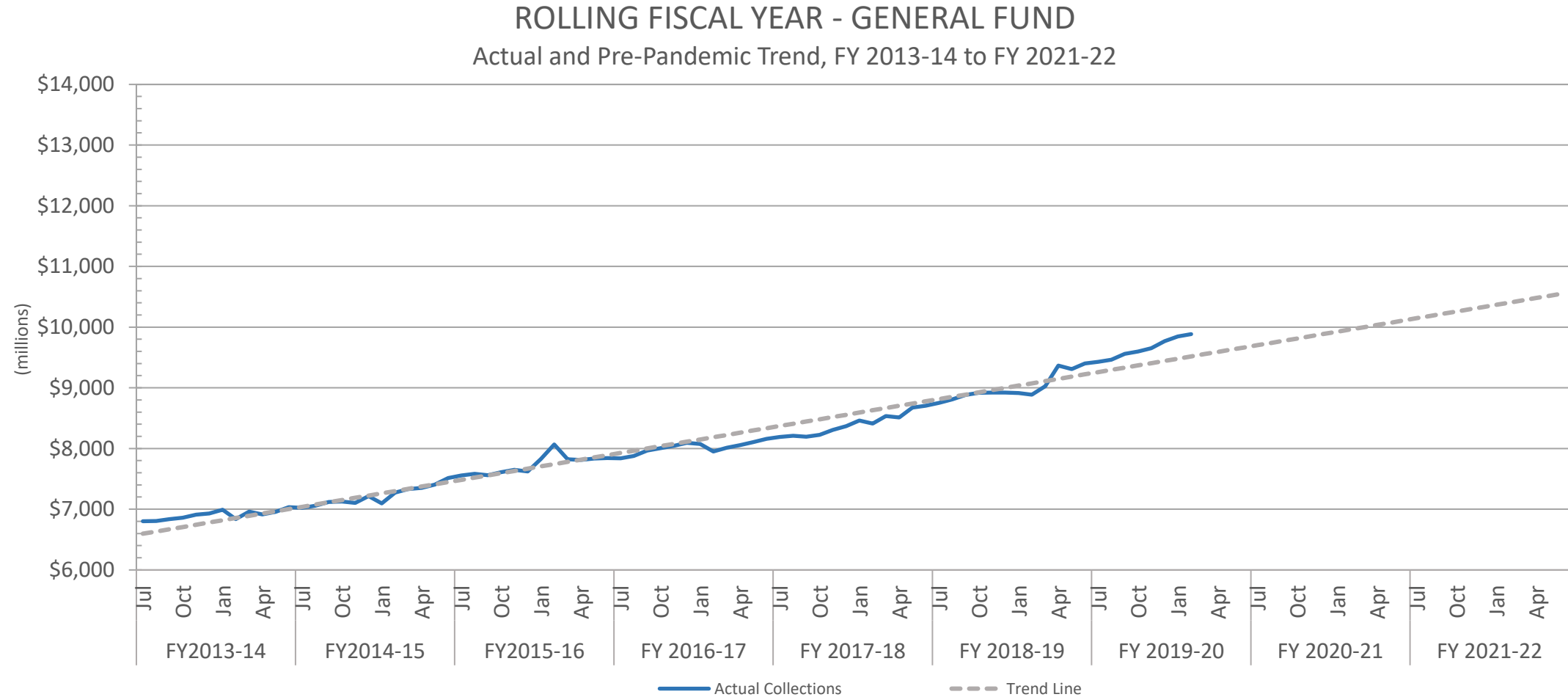
***“You always keep me guessin’, I never seem to know what you are thinkin’
And if a fella looks at you, it’s for sure your little eye will be a-winkin
I get confused ‘cause I don’t know where I stand ...”***

- Atlanta Rhythm Section (cover), “Spooky”



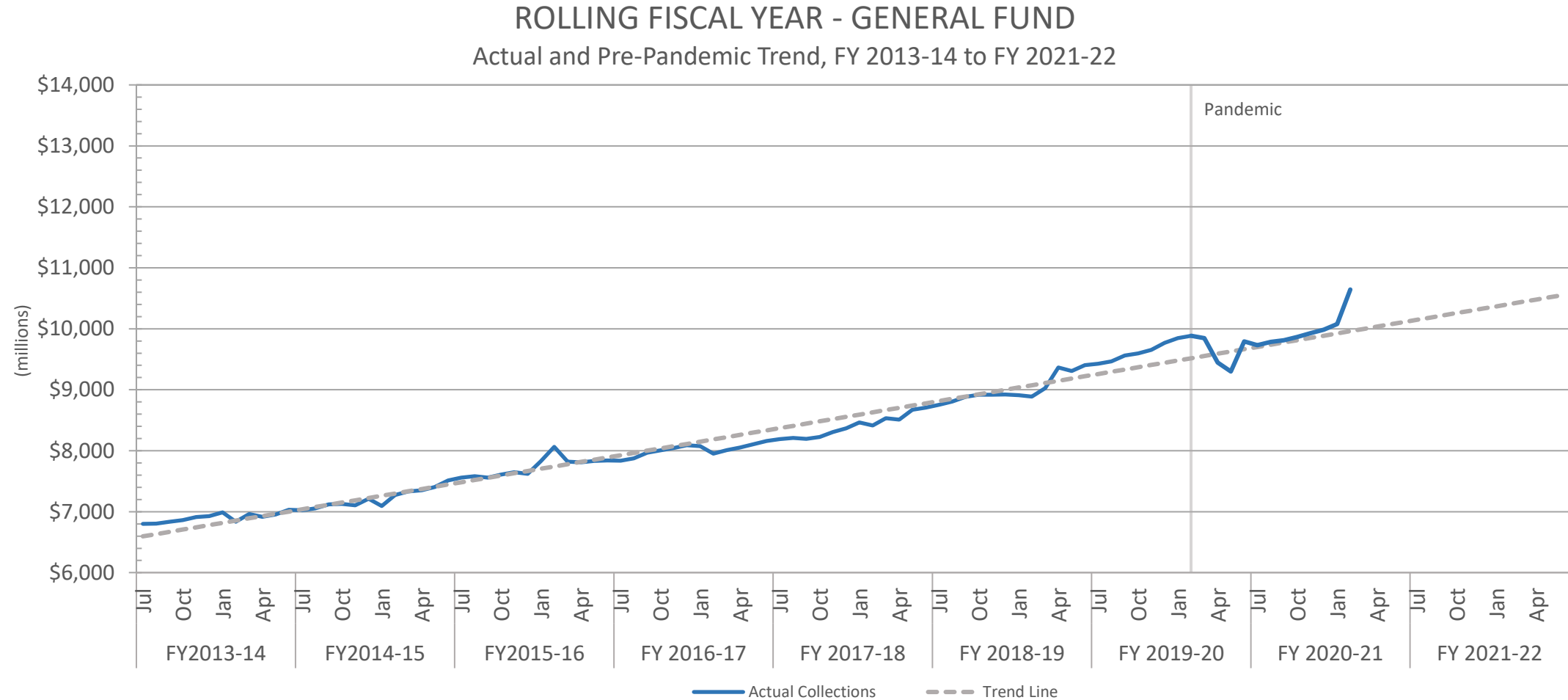
February 2020 - Pre-pandemic

General Fund revenues were slightly above the long-term trend



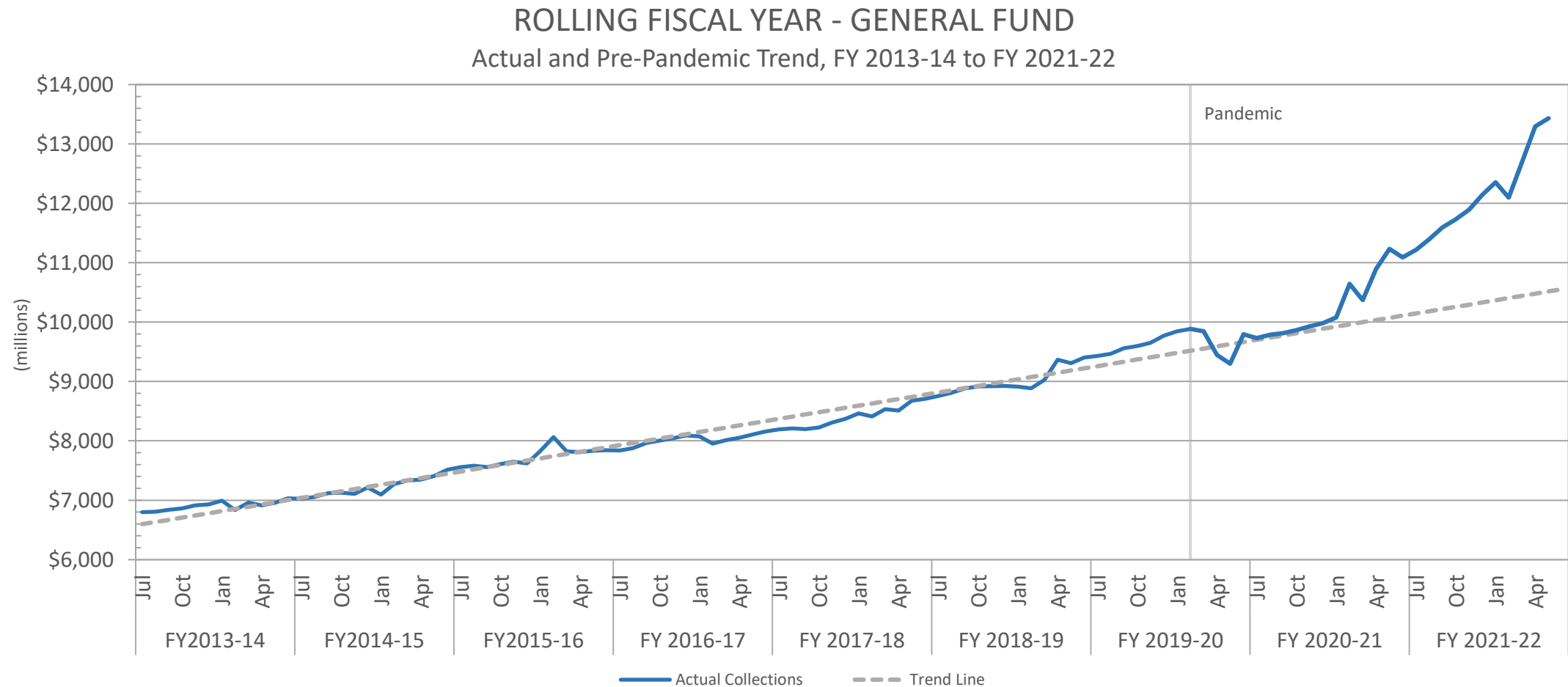
February 2021 - One Year into the Pandemic

General Fund revenues were within the long-term trend



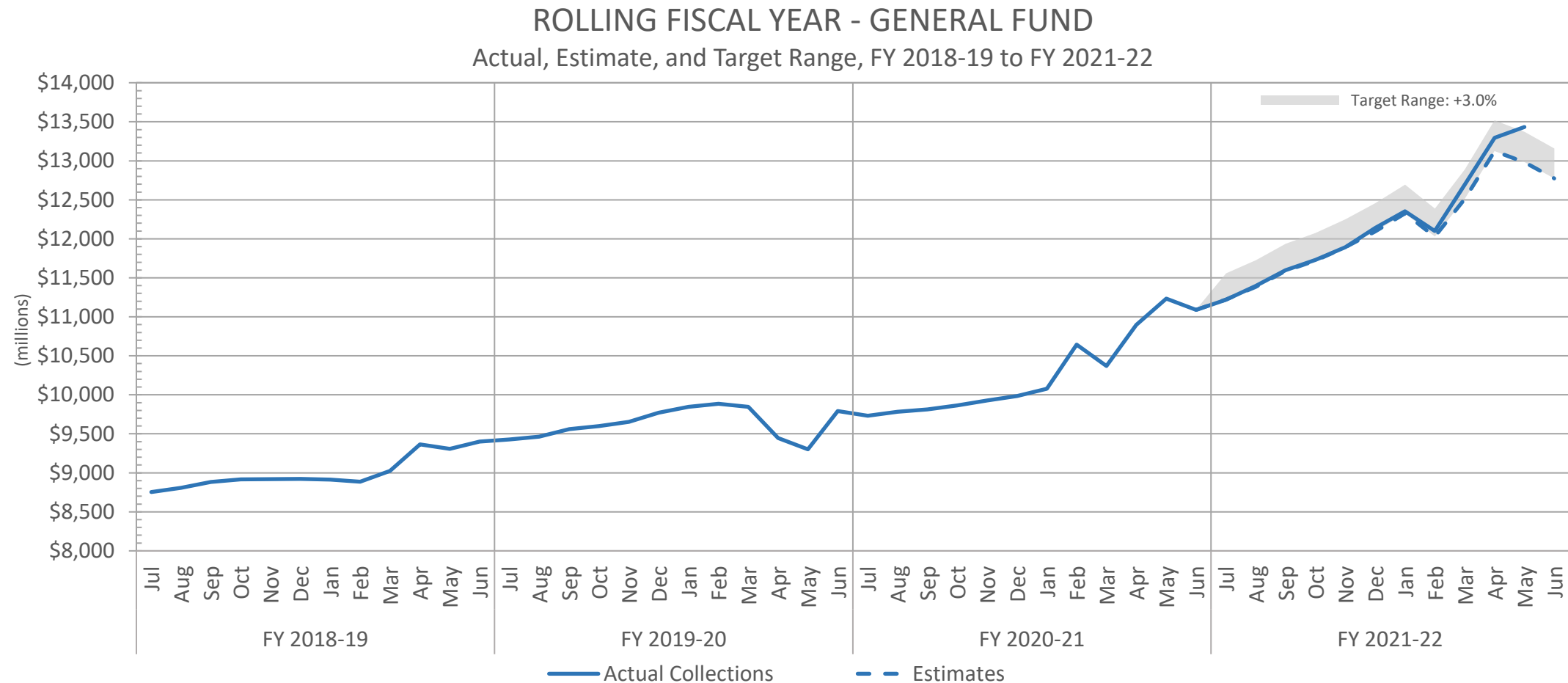
May 2022 – Two Years into the Pandemic

General Fund revenues are significantly above the long-term trend



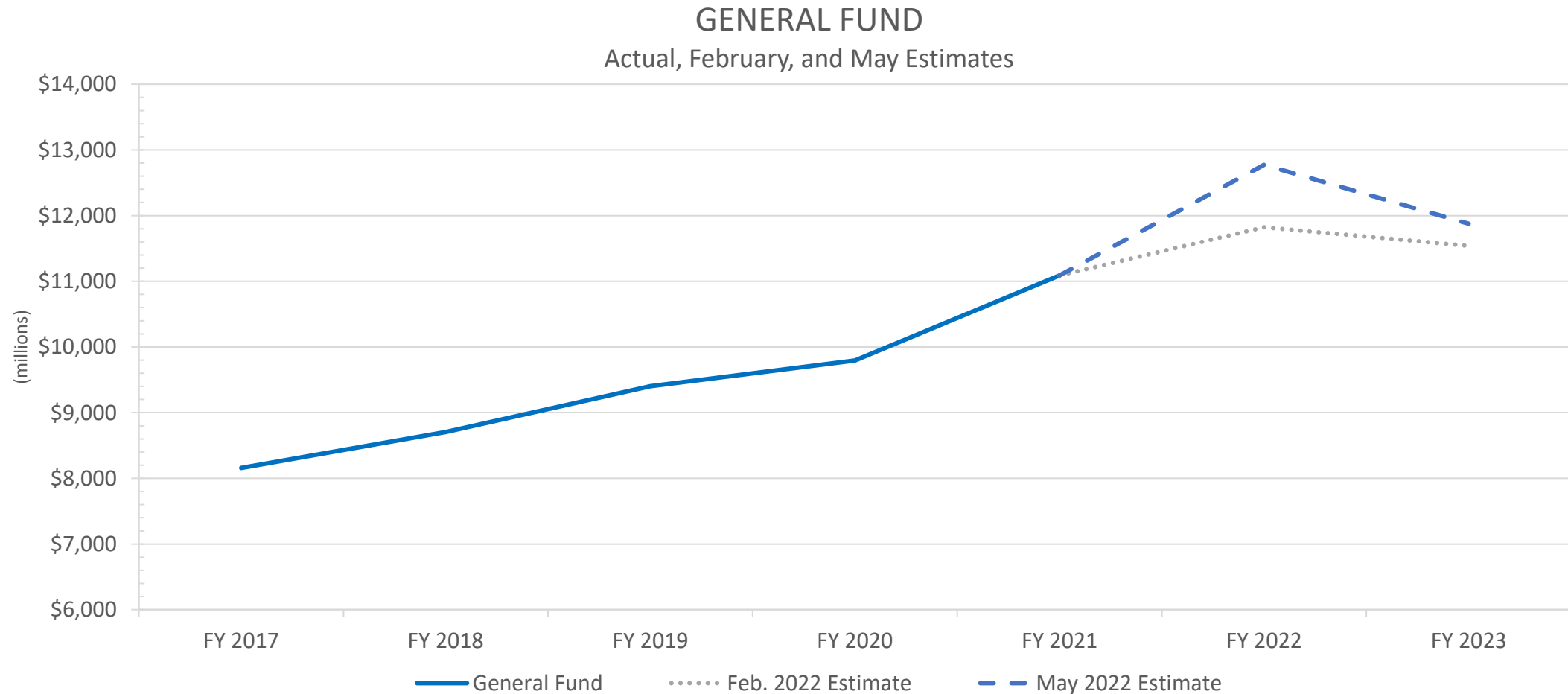
General Fund – Actuals vs. Estimates

Revenues are growing faster than expected and are \$444 million above the estimate year-to-date



General Fund Revenue Estimates

Revised estimates assume higher peak in FY 2022; FY 2023 still anticipates a decline and return to normal levels

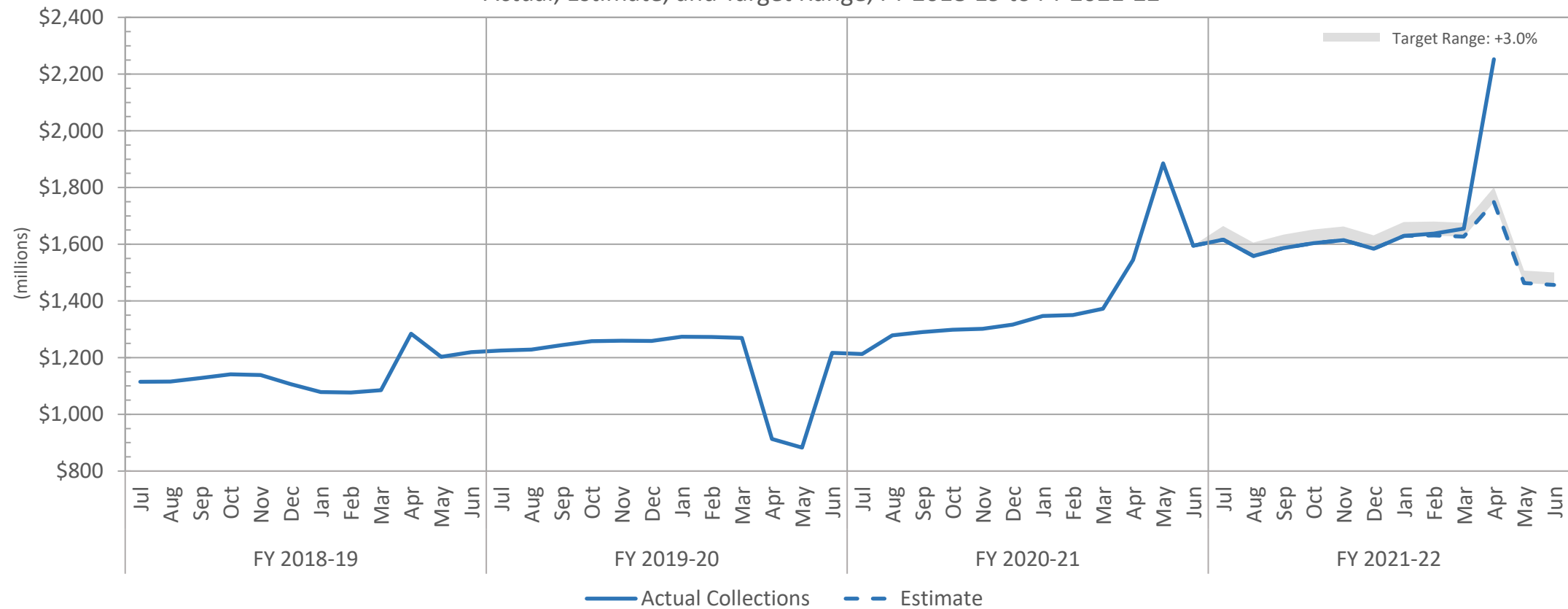


Non-Withholdings - Actual vs. Estimate

Collections are 64.1% above last year, partially due to timing changes in tax filing season

ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS

Actual, Estimate, and Target Range, FY 2018-19 to FY 2021-22

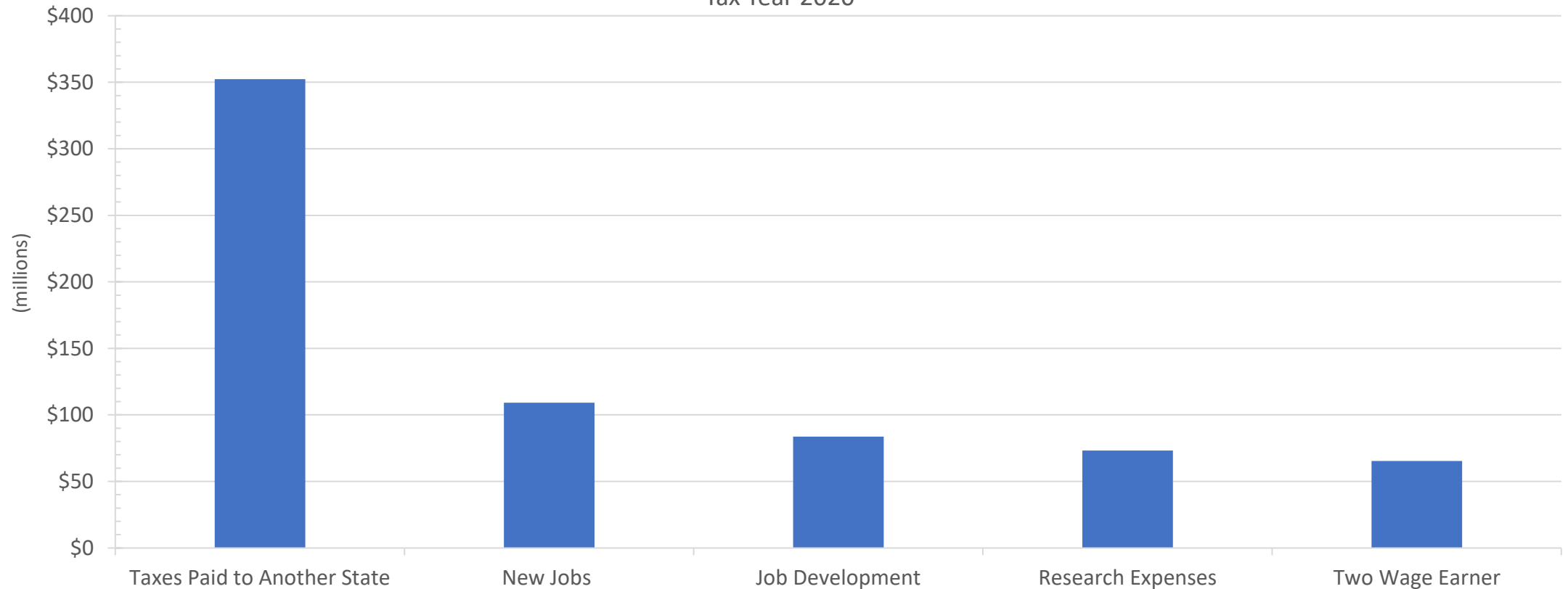


Top South Carolina Tax Credits

State tax credits totaled an estimated \$930 million in 2020, with the top five credits by amount claimed accounting for 73.4% of the total

TOP SOUTH CAROLINA TAX CREDITS

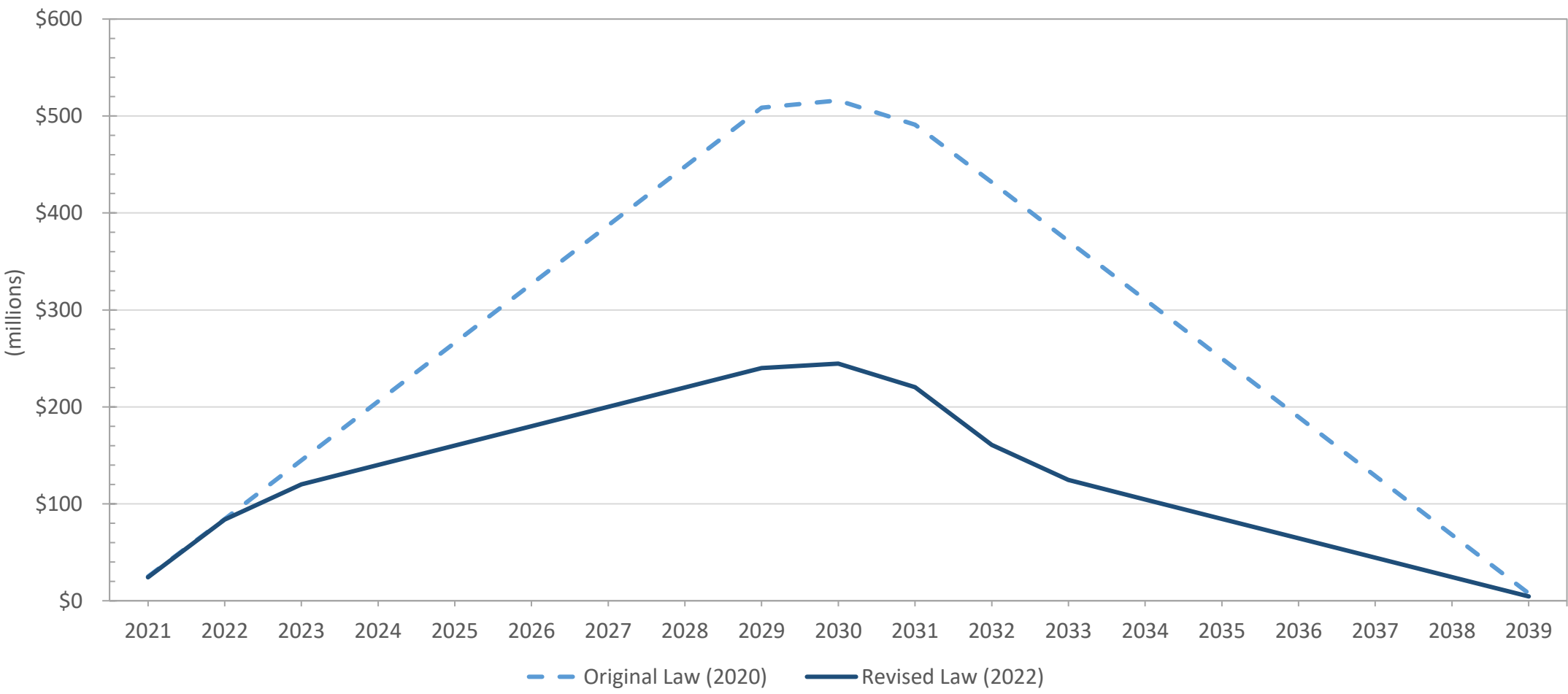
Tax Year 2020



Source: SC Revenue and Fiscal Affairs 314/nmg/4/22/22

SC State Housing Tax Credit – Estimated General Fund Reduction

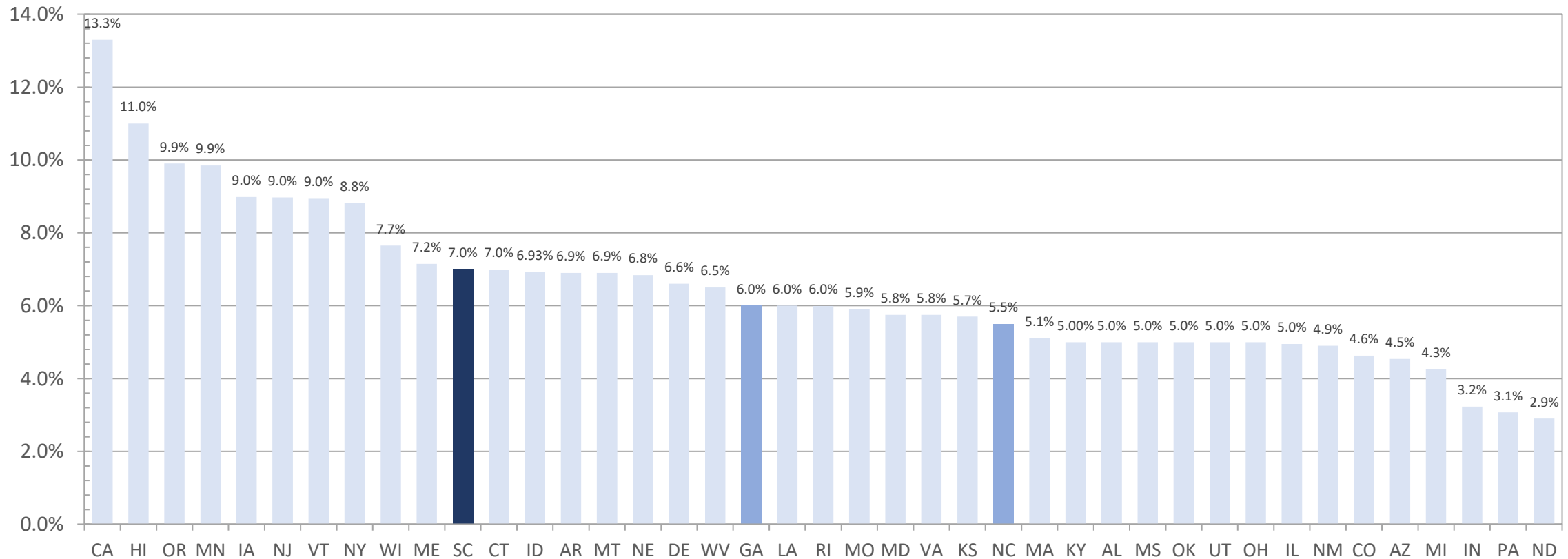
SC HOUSING TAX CREDIT – ESTIMATED GENERAL FUND REDUCTION BY YEAR



State Top Marginal Income Tax Rates

South Carolina had the 11th highest top marginal individual income tax rate in 2018

HIGHEST STATE MARGINAL INDIVIDUAL INCOME TAX RATES
Tax Year 2018



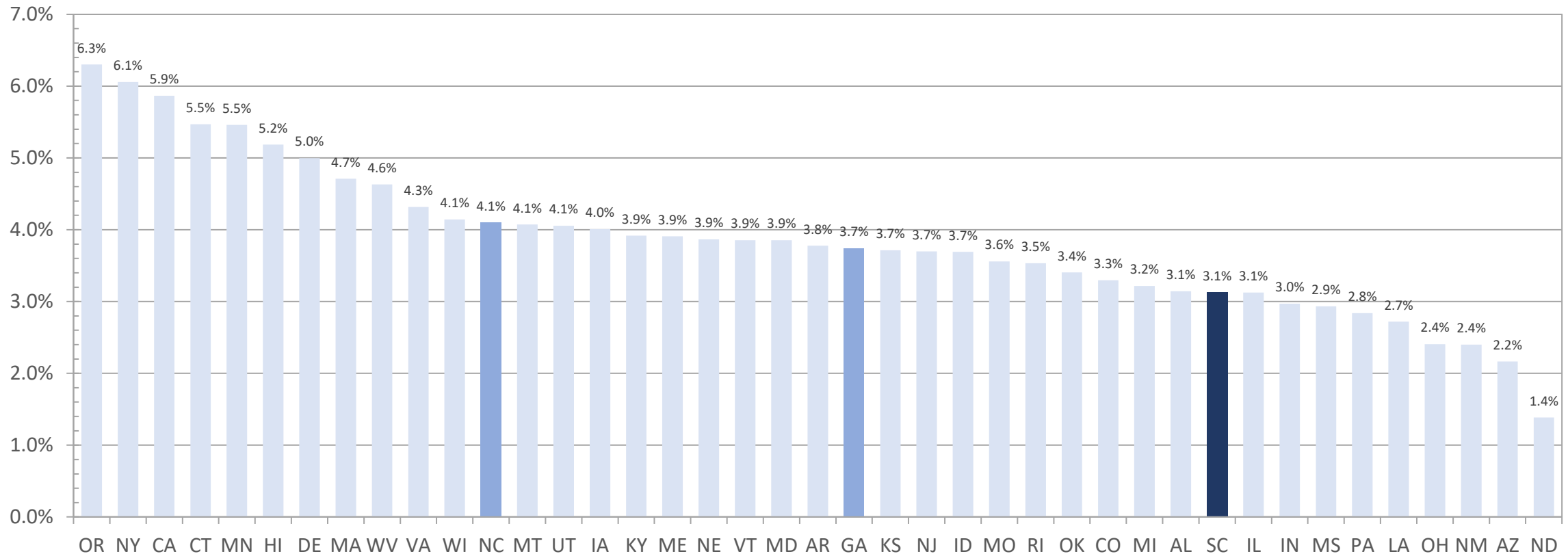
Source: The Federation of Tax Administrators from various sources. Note: Tax rates shown are for 2018 for consistency with the effective tax rates. For later comparisons, GA top tax rate for 2020 is 5.75%; NC top tax rate for 2020 is 5.25%



State Average Effective Income Tax Rates

South Carolina's effective individual income tax burden falls below neighboring states

STATE AVERAGE EFFECTIVE INDIVIDUAL INCOME TAX RATES
for Tax Year 2018

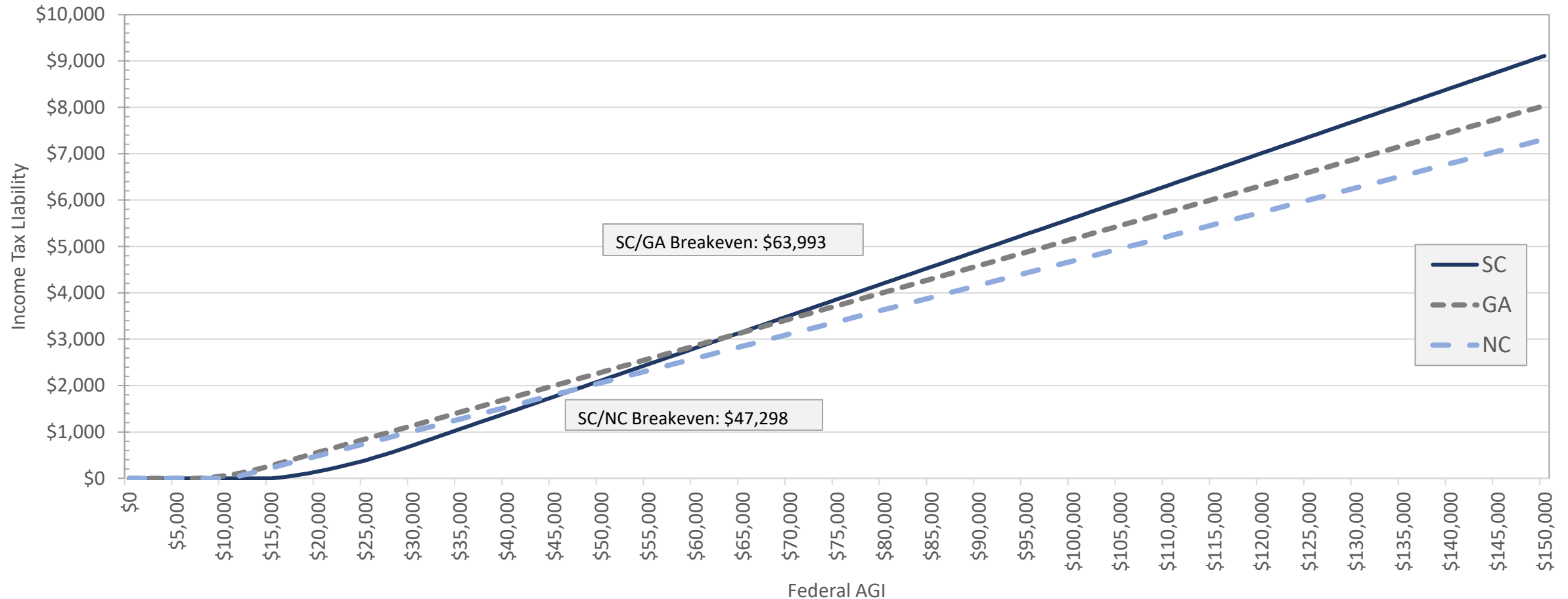


Source: IRS, Statistics of Income Division, Individual Master File System, Tax Year 2018 returns. Calculations by the S.C. Revenue and Fiscal Affairs Office.

Tax Liability Comparison – Tax Year 2020

Single

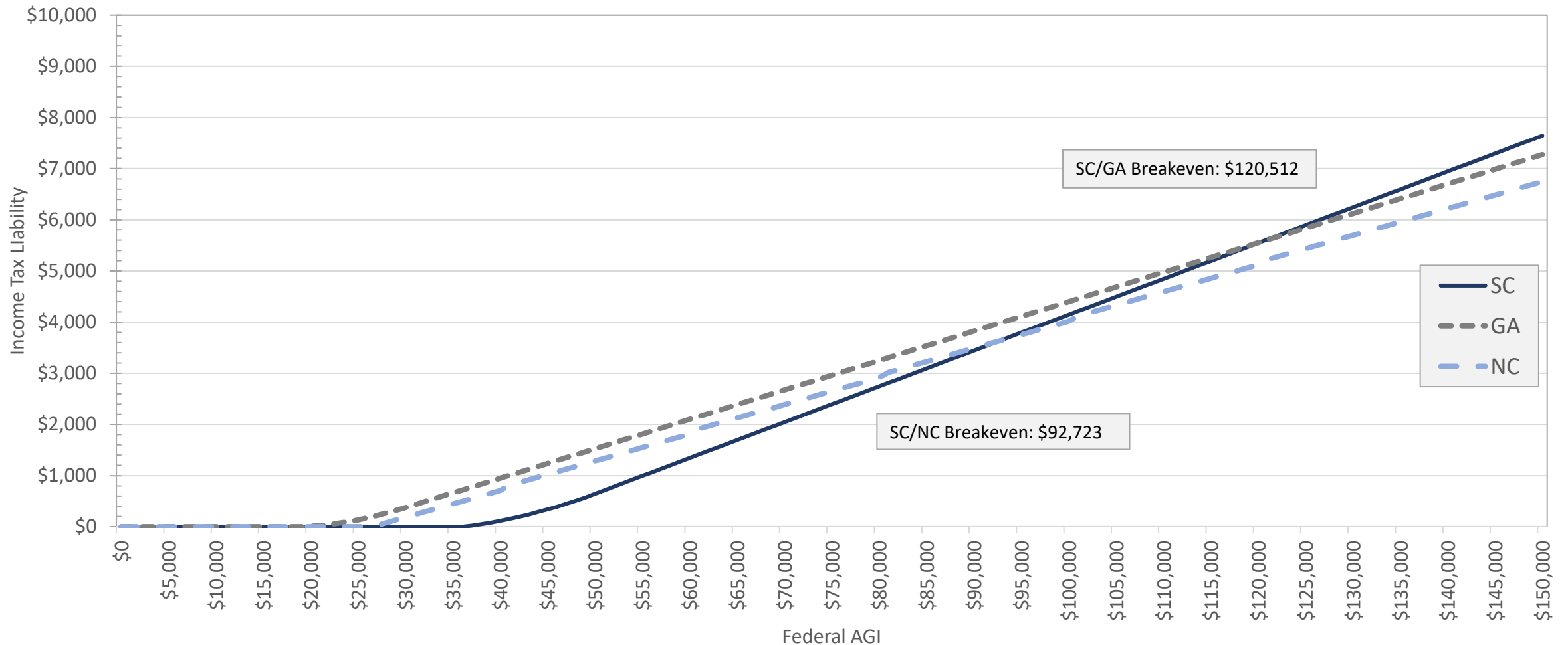
STATE INCOME TAX LIABILITY BY FEDERAL AGI



Tax Liability Comparison – Tax Year 2020

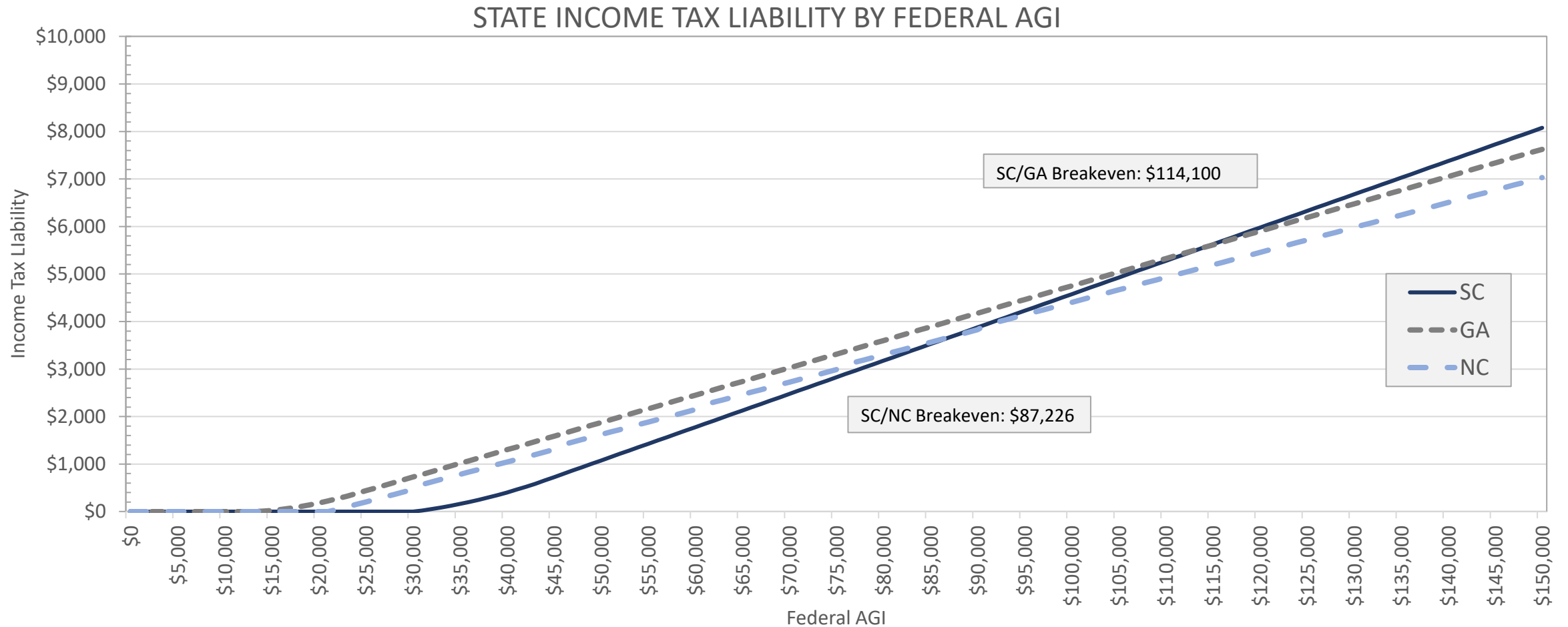
Married filing jointly family of four

STATE INCOME TAX LIABILITY BY FEDERAL AGI



Tax Liability Comparison – Tax Year 2020

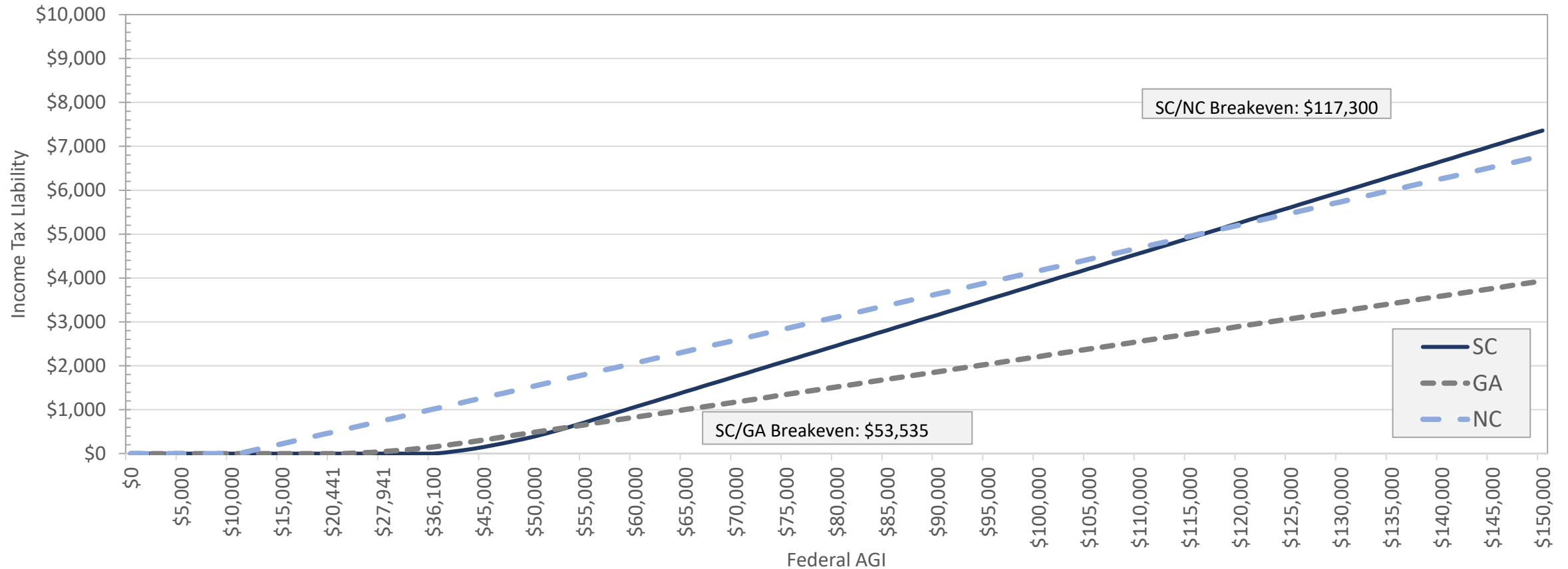
Head of household and two dependents



Tax Liability Comparison – Tax Year 2020

65+ single with a maximum of \$10,000 in federally taxable Social Security benefits*

STATE INCOME TAX LIABILITY BY FEDERAL AGI



*Assumes 40% of all non-Social Security income comes retirement income and 60% comes from earned income. For Georgia, up to \$65,000 of retirement income, which can include up to \$4,000 in earned income, can be deducted. Social Security income totals \$11,764.71 in this scenario; at most, \$10,000 of this can be taxed at the federal level.

Budgets

*Keep it comin' love, Keep it comin' love
Don't stop it now, don't stop it no
Don't stop it now, don't stop it ...*



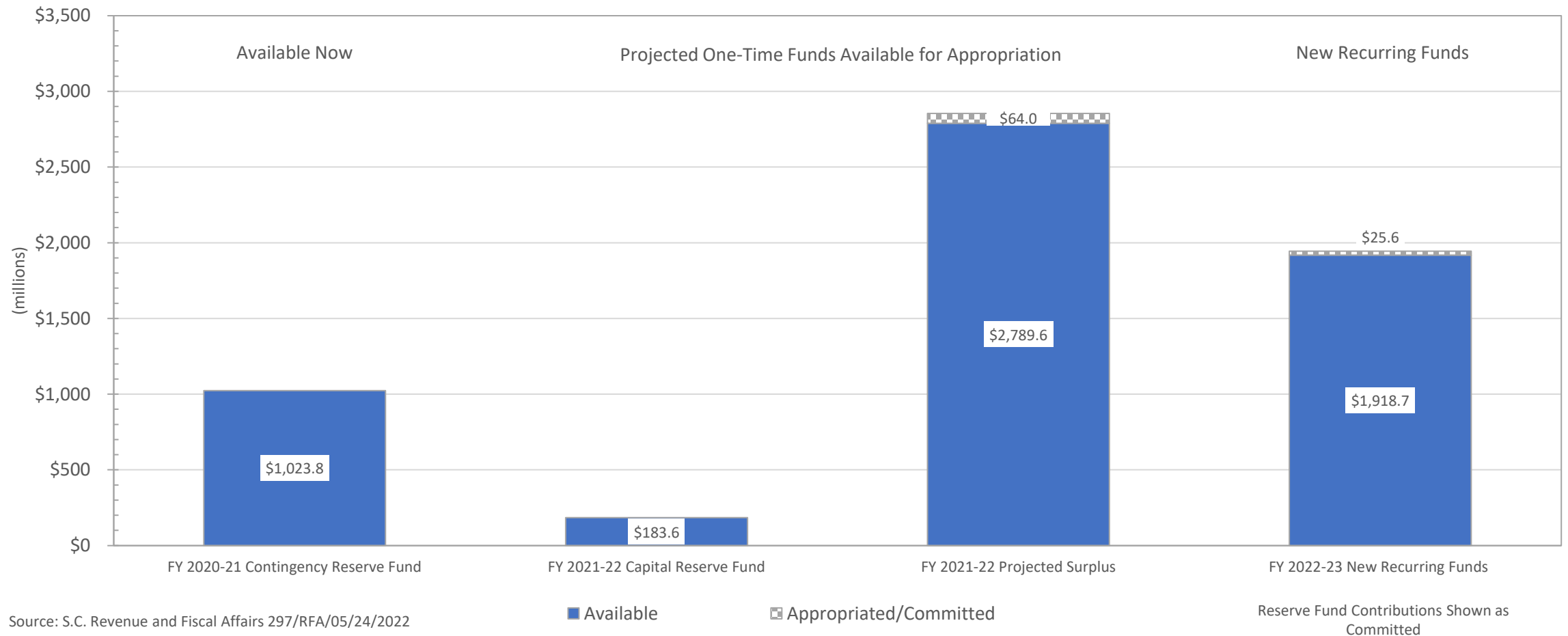
*Don't let your well run dry
Don't stop it now
Don't give me no reasons why ...*

*Don't build me up just to let me drop
Don't stop it now*

- KC and The Sunshine Band, “Keep it Comin’ Love”

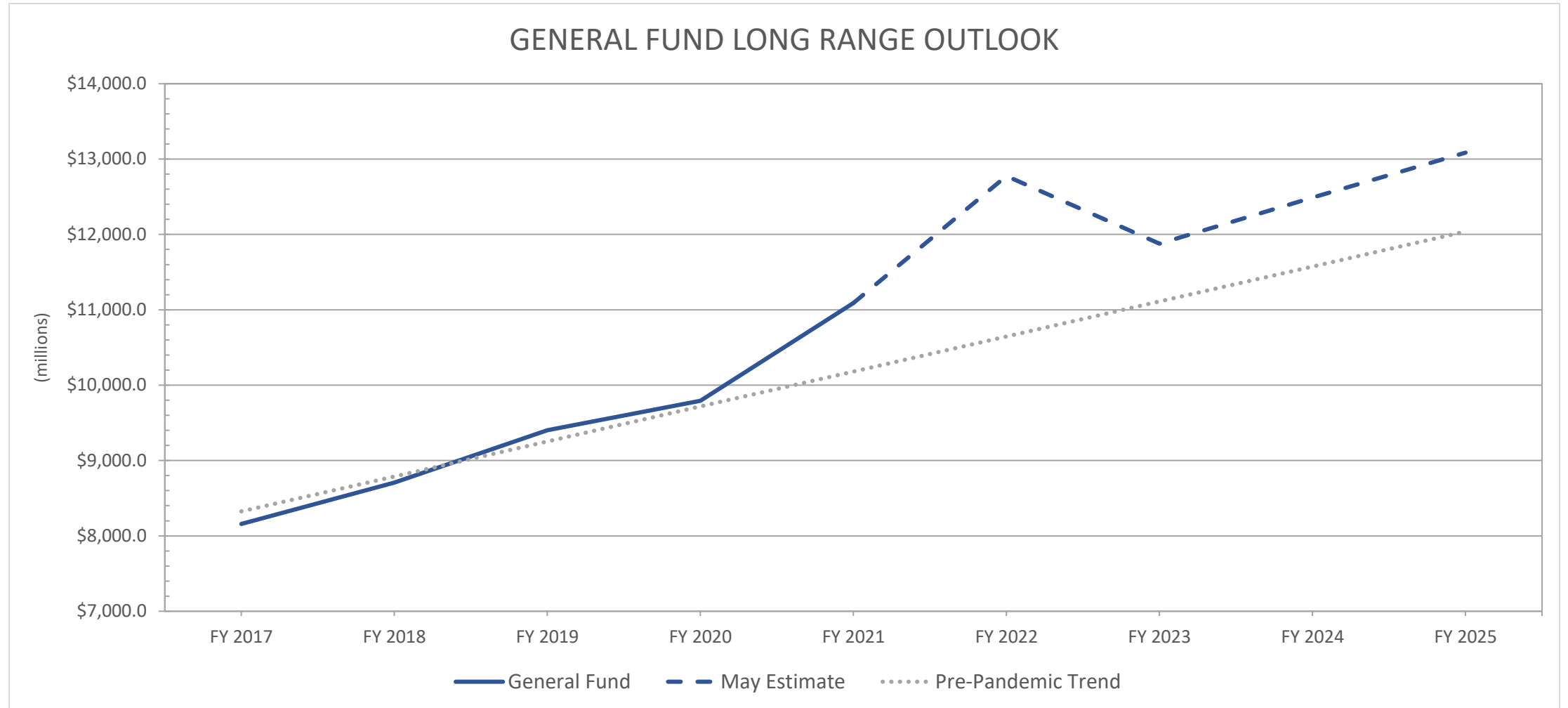
Available Funds – FY 2022-23 Budget Process

AVAILABLE FUNDS - FY 2022-23 BUDGET PROCESS
as of June 17, 2022



General Fund Revenue Long Range Outlook

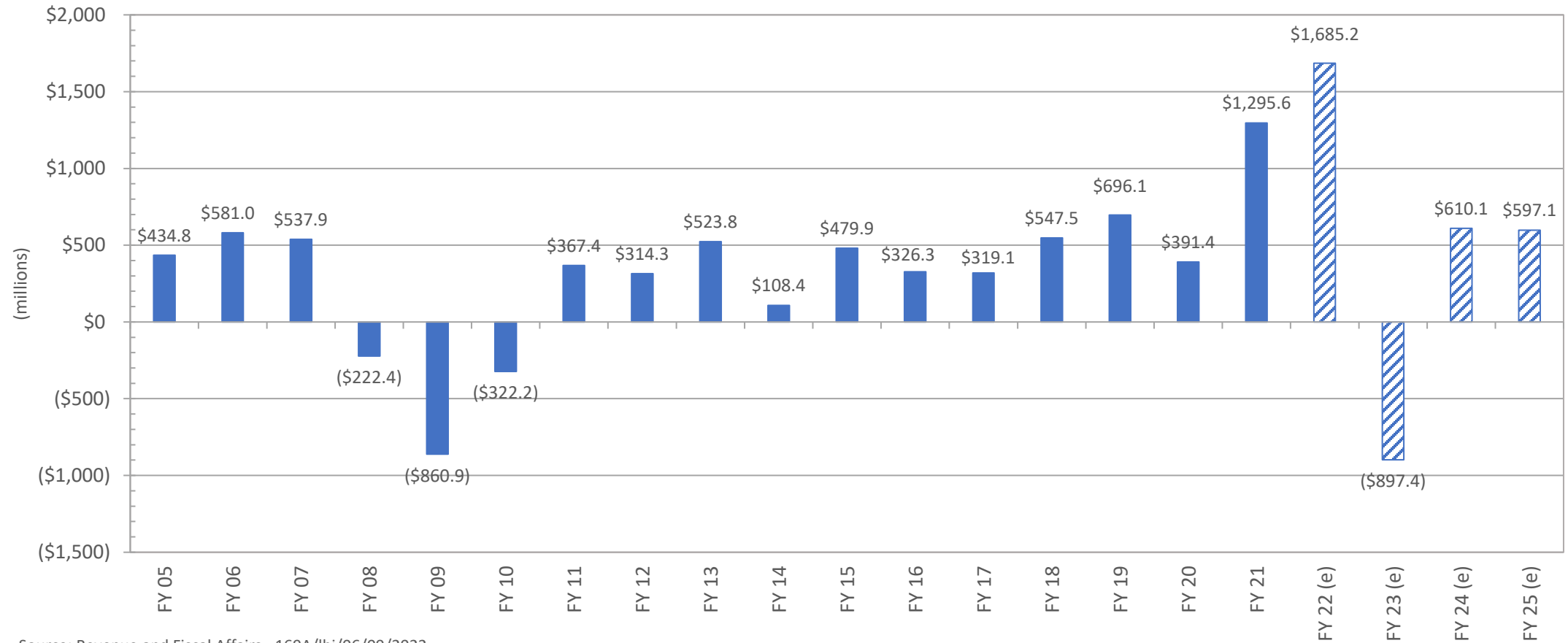
Revenue collections are not expected to reach the FY 2022 peak again until FY 2025



General Fund Revenue Growth

General fund revenue growth is expected to peak in FY 2022 at \$1.7 billion; FY 23 revenue estimate well above FY 22 expenditure base

ANNUAL GROWTH IN GENERAL FUND REVENUE



Source: Revenue and Fiscal Affairs - 169A/lhj/06/09/2022

Millage Rate Increase Limitation Issues

- 2020 Census impact
- FY 2022-23 range:
 - Counties: 4.7% to 9.0%
 - Municipalities: 4.7% to 20.0%
- Wells Fargo's June 2022 forecast projects inflation will be 8.2% this year, which would be reflected in next year's millage caps

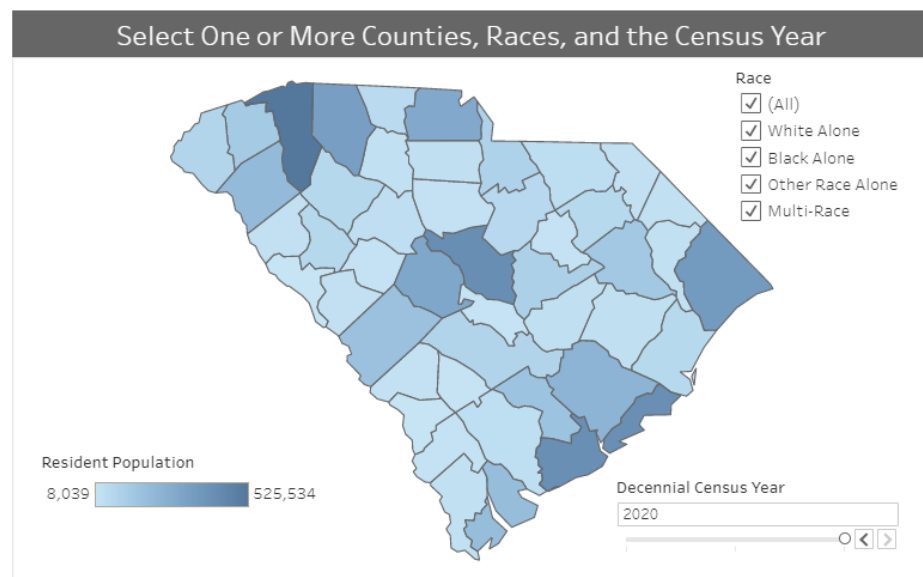
Resources at RFA

*“Ain’t it good to know you’ve got a friend
Ain’t it good to know, ain’t it good to know
Ain’t it good to know, you’ve got a friend”*

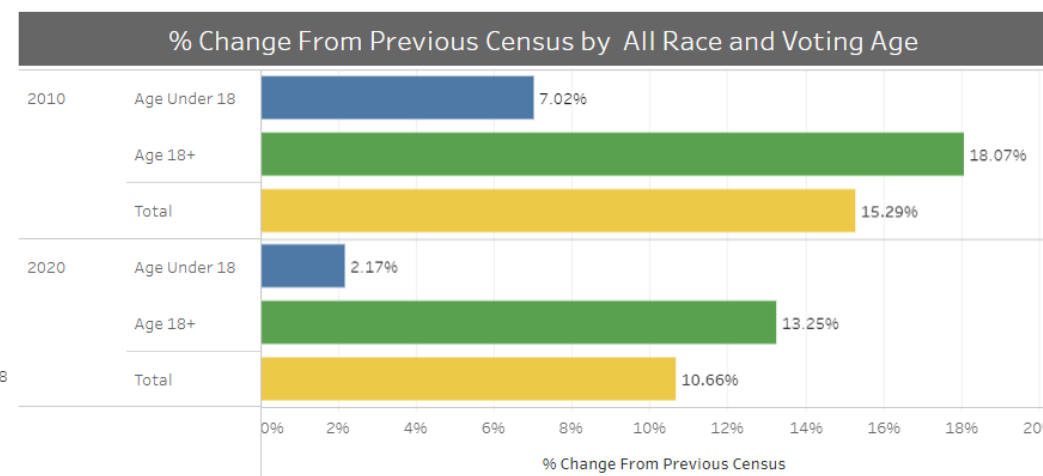
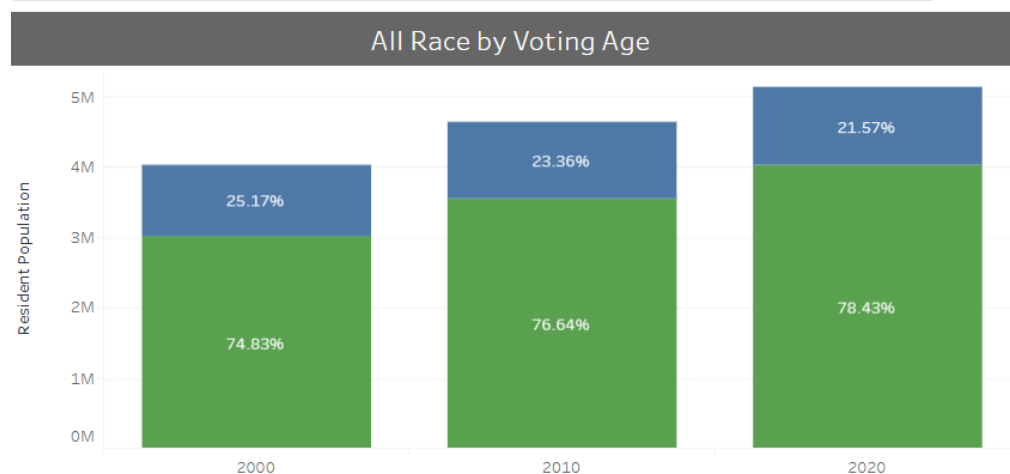
- Carole King, You’ve Got A Friend



Census Dashboards



Race and Voting Age by Census Year					
		2000		2010	
		Resident Population	% Change From Previous Census	Resident Population	% Change From Previous Census
White Alone	Age Under 18	598,188		628,962	5.14%
	Age 18+	2,097,372		2,431,038	15.91%
	Total	2,695,560		3,060,000	13.52%
Black Alone	Age Under 18	369,514		351,223	-4.95%
	Age 18+	815,702		939,461	15.17%
	Total	1,185,216		1,290,684	8.90%
Other Race Alone	Age Under 18	24,615		58,489	137.62%
	Age 18+	66,671		136,256	104.37%
	Total	91,286		194,745	113.34%
Multi-Race	Age Under 18	17,324		41,800	141.28%
	Age 18+	22,626		38,135	68.55%
	Total	39,950		79,935	100.09%
Grand Total		4,012,012		4,625,364	15.29%



Locate Me

<https://rfa.sc.gov/mapping/locate-me>

RFA Locate Me App

Search for an address

Show my South Carolina Districts Boundaries


Use the address bar above to search where your address falls in various South Carolina boundaries, including:

- Census Boundaries (2010 & 2020)
- SC House Districts
- SC Senate Districts
- US Congressional Districts
- County Council
- Council of Government (COGs)
- Municipalities
- Magistrates
- School Districts

If you don't know the address or your address is not found, use one of these search methods:

- Click the search box and choose Use current location
- Zoom in and click within the map

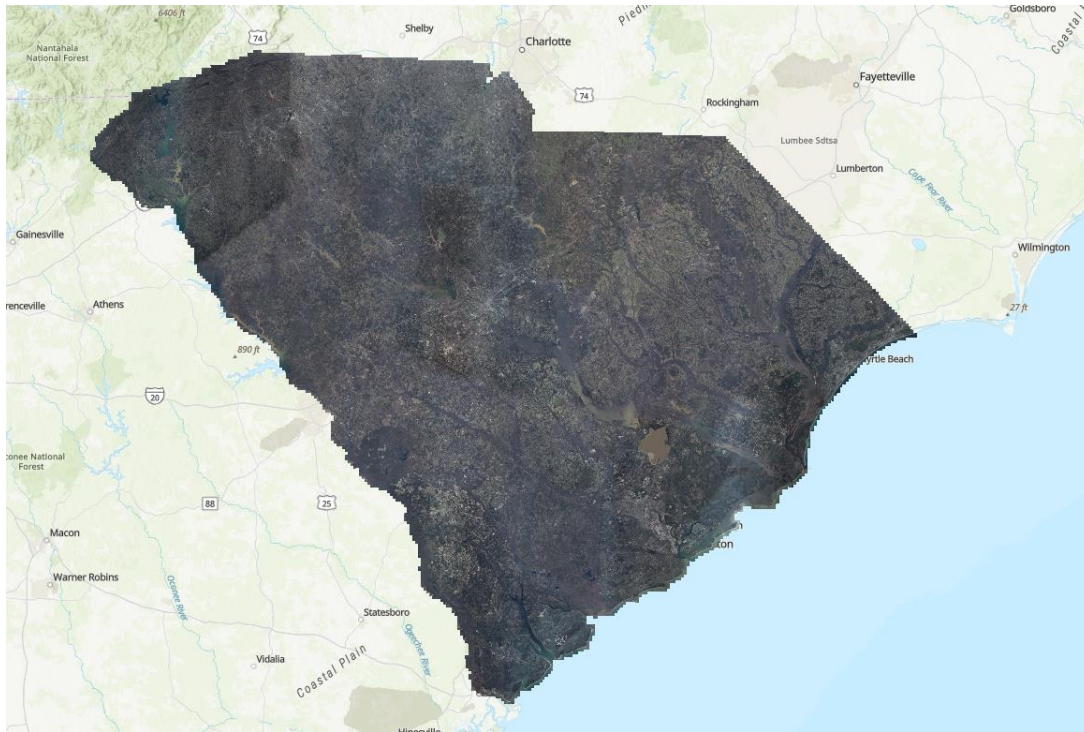
Disclaimer: The database is maintained through a partnership between



The map displays the state of South Carolina with its county boundaries. Major cities are labeled, including Knoxville, Asheville, Charlotte, Greenville, Columbia, Augusta, Savannah, and Charleston. The map also shows parts of neighboring states: Tennessee to the north, Georgia to the west, and North Carolina to the east. A search bar and navigation controls (zoom in, zoom out, home) are visible in the top right corner of the map area.

SC Aerial Imagery

<https://www.arcgis.com/apps/mapviewer/index.html?layers=1a3f8aa93e674dcd93396b8d2c11e490>



On the Horizon

- Public Education Funding and Accountability Dashboard
- County Boundaries
- Long-term population projections
- 2030 Redistricting planning and training sessions

Conclusion & Questions

*“Well, my friends, the time has come
To raise the roof and have some fun
Throw away the work to be done ...”*

- Lionel Richie, “All Night Long”

